

Message Text

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PAGE 01 ROME 09339 071736Z

64

ACTION EB-11

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 PM-07 NSC-10 SS-15

RSC-01 CIAE-00 INR-10 NSAE-00 DODE-00 L-03 COME-00

SCEM-02 CIEP-02 OMB-01 TRSE-00 AID-20 DRC-01 /130 W

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R 071630Z SEP 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 646

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L ROME 9339

E.O. 11652: GDS

TAGS: ENRG IT LY

SUBJECT: ITALIAN GOVERNMENT VIEWS ON LIBYAN DEVELOPMENTS AND
ENERGY COOPERATION

REF: ROME 9273 (LIMDIS)

1. SUMMARY - ITALIAN GOVERNMENT POSITION TOWARD LIBYAN NATIONAL-
IZATION POLITICAL QUESTION WHICH WILL REQUIRE CABINET ACTION.
THIS NOT YET ACCOMPLISHED. KEY ELEMENT IN THIS DECISION SAID
BE ITALIAN DOMESTIC POLITICAL CONCERNS OVER FUEL OIL AND GAS
OIL (FOR HOME HEATING) SHORTAGES THIS WINTER.

2. BENNSKY (DIRECTOR FSE) AND EMBOFF MET THIS MORNING SEPARATELY
WITH RISTAGNO, DIRECTOR GENERAL FOR ENERGY IN MINISTRY INDUSTRY,
AND ZAMBONI, DEPUTY DIRECTOR OF ENERGY IN MINISTRY FOREIGN
AFFAIRS. CONVERSATIONS FOCUSED FIRST ON ITALIAN GOVERNMENT
(GOI) VIEWS RE LIBYAN 51 PERCENT NATIONALIZATION OF "MAJORS"
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PAGE 02 ROME 09339 071736Z

OIL FIELDS AND THEN ON PROSPECTS FOR MULTILATERAL COOPERATION

BETWEEN CONSUMER GOVERNMENTS AND WITH OIL EXPORTER GOVERNMENTS.

3. BOTH GOI OFFICIALS STATED THAT HOW TO DEAL WITH LIBYAN SITUATION WAS POLITICAL QUESTION TO BE DECIDED AT CABINET LEVEL. RISTAGNO SAID HE HAD ASKED HIS MINISTER WHAT GOI POSITION WOULD BE BUT HAD NO ANSWER AS YET. HE HOPED TO BE ABLE TO ENLIGHTEN BENNSKY FURTHER AT SEPT. 11 HIGH LEVEL GROUP MEETING IN PARIS. HE NOTED THAT CURRENT GOI ONLY SIX WEEKS OLD AND STILL ACCLIMATING ITSELF. ESSO OFFICIALS HAD SAID YESTERDAY THAT GOI NOT YET READY SAY WHAT ITS POSTURE WILL BE. IN THIS REGARD, ZAMBONI SAID SIMONET HAD CANCELED HIS PLANNED VISIT OF SEPT 7 TO ROME.

4. THESE TWO GOI OFFICIALS FOUND NO FAULT WITH CONSIDERATIONS MOTIVATING "MAJORS" AND USG RE LIBYA'S ARBITRARY ACTIONS, BUT DWELT ON ITALY'S PRECARIOUS SUPPLY POSITION AS KEY ELEMENT IN GOI DECISION-MAKING. RISTAGNO SPELLED OUT CONCERNS OVER FUEL OIL AND ESPECIALLY GAS OIL (FOR HOME HEATING) SHORTAGES THIS WINTER, NOTING BOTH GENERALLY TIGHT INTERNATIONAL OIL MARKET AND FACT CONTROLLED INTERNAL ITALIAN PRICE FOR GASOIL ONE-HALF CURRENT PRICE ON WORLD MARKET. EVEN THOUGH THESE PRICES COULD BE INCREASED AFTER OCTOBER 31, HE DOUBTED GOI COULD DO SO AND GET AWAY WITH STILL FIGHTING INFLATION BY HOLDING DOWN PRICES CHARGED BY ITALY'S SMALL MERCHANTS AND SHOPOWNERS. ALSO ZAMBONI POINTED UP LIBYA'S IMPORTANCE AS OIL SUPPLIER TO ITALY IN TERMS GEOGRAPHIC PROXIMITY AND PROPORTION OF IMPORTS--18 PERCENT LAST YEAR. IN THESE CIRCUMSTANCES BOTH INTIMATED QUITE CLEARLY, USG COULD NOT EXPECT GOI ADOPT POLICY TO KEEP CONTESTED ("HOT") LIBYAN OIL OUT ITALY. AS FOR LEGAL ACTIONS BY "MAJORS" IN ITALIAN COURTS, THEY ANTICIPATED THESE BUT CONSIDERED THIS MATTER FOR ITALIAN JUDICIARY AND NOT GOI.

5. IN RESPONSE DIRECT QUERY THEY SAID THEY HAD NO INFORMATION THAT LIBYA WAS REQUESTING ENI FOR ASSISTANCE IN OPERATING PROPERTIES OF "MAJORS."

6. RISTAGNO AND ZAMBONI SAID GOI VERY MUCH IN FAVOR ESTABLISHMENT COMMON EC ENERGY POLICY AND COOPERATION EC WITH US AND JAPAN AND WITH OIL EXPORTER COUNTRIES. THEY SAID GOI WOULD SUPPORT CURRENT EC EFFORT MOVE TO COMMON ENERGY POLICY, EVEN THOUGH ITS PROPOSALS DO NOT GO FAR ENOUGH. BUT THEY VERY SKEPTICAL THAT

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PAGE 03 ROME 09339 071736Z

EVEN THIS CAN BE ACCOMPLISHED, WITH RISTAGNO FINGERING FRENCH AS THE OBSTACLE TO EACH OF ABOVE THREE TYPES OF COOPERATION. THEY THINK OPEC HAS ALREADY LAID OUT BASIS FOR COOPERATION, EXCHANGING OIL FOR TECHNOLOGY AND MARKETS, AND EC AND/OR OECD SHOULD CHECK THIS OUT BY PROPOSING A CONSUMER-PRODUCER CONFERENCE. HOWEVER, RISTAGNO NOTED THAT RECENTLY PAUL FRANKEL, LONDON BASED OIL CONSULTANT, HAD SHAKEN HIS THINKING CONSIDERABLY BY NOTING THAT THE ONLY PRODUCER WORTH TALKING TO IN TERMS OF THE PROD-

UCTION INCREASES REQUIRED BY THE CONSUMERS WAS SAUDI ARABIA.
(BOTH OFFICIALS, BY THE WAY, CONTINUED UNBROKEN HIGH LEVEL OF
INTEREST BENNSKY HAS OBSERVED IN EUROPE RE SAUDI OIL PRODUCTION
PROSPECTS.)

7. IN DISCUSSION OF HIGH LEVEL GROUP WORKING PARTY ON OIL
SHARING IN TIMES CRITICAL SHORTAGE, RISTAGNO SAID HE THOUGHT
TIME WAS RUNNING OUT ON ESTABLISHING AN OECD-WIDE SYSTEM, THUS
JOINING SIMONET (BRUSSELS 5012) AND LANTZKE (BONN 12715 NOTAL)
IN THIS VIEW. VOLPE

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